

Employer UPDATE

A PUBLICATION OF THE ARIZONA STATE RETIREMENT SYSTEM

July 2002

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**IRS Publication Available on
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Benefits _____

Accounting _____

Helpful Arizona Web Sites

Arizona State Retirement System

www.asrs.state.az.us

Arizona Legislature

www.azleg.state.az.us

Social Security Online

www.ssa.gov

Internal Revenue Service

www.irs.gov

State of Arizona

www.az.gov

Medicare

www.Medicare.gov

IMPORTANT INFORMATION

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ASRS Retiree Health Insurance Open Enrollment

September 30 through October 25, 2002 has been designated as the open enrollment period for the Arizona State Retirement System (ASRS) retiree health care plans. Member elections will become effective January 1, 2003.

Open enrollment applies to any retired member of the ASRS, Public Safety Personnel Retirement System (PSPRS), Elected Officials' Retirement Plan (EORP), Corrections Officer Retirement Plan (CORP), University Optional Retirement Plan (UORP), or any member who is receiving a long-term disability (LTD) benefit from the ASRS program and who is no longer eligible for health insurance benefits through his or her former employer. Members or any eligible dependents who have not taken the opportunity to enroll previously in one of the ASRS medical or dental plans also will be able to enroll.

This open enrollment period is not a positive re-enrollment of every member. In other words, no action on the part of your retired members or LTD recipients is required if they:

✓ are already enrolled with the ASRS in a medical and/or dental plan and do not wish to make a change, or

✓ are not currently enrolled for ASRS coverage and do not wish to enroll for coverage at this time, or

✓ are enrolled in their former employer's health insurance program and do not want to change to the ASRS coverage.

Open enrollment packets are scheduled to be mailed in late September. All packets are mailed to the address of record on file with the ASRS as of August 1, 2002. Address changes your retirees have made with you may not be updated in their ASRS data file if they have not informed the ASRS of the address change.

If your retirees have Internet access, they may download the Change of Address form from the "Electronic Library" section of our Web site (www.asrs.state.az.us). If your retirees do not have access to the Web, have them call the ASRS Member Services Division at (602) 240-2000 in metro Phoenix, (520) 239-3100 in metro Tucson or 1 (800) 621-3778 outside of metro Phoenix and Tucson.

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Your retiree and LTD recipients should also be aware of when you conduct your open enrollment so that their health care coverage with you does not lapse before their ASRS coverage begins. Also, if your retiree or LTD recipients are receiving their health care through you because of a COBRA event, they should be aware when that coverage terminates. There is a 31-day grace period upon termination of their COBRA coverage to enroll in an ASRS health care plan.

ASRS Employer Procedures: Reimbursing Medical and/or Dental Costs to Qualified Retirees

The Arizona State Retirement System provides a health insurance premium benefit (includes the basic premium benefit and, if applicable, the "non-service area" additional, temporary premium benefit) to qualified retirees and employees on long-term disability (LTD). The health insurance premium benefit is intended to help offset the cost of medical and/or dental insurance provided by the ASRS or an ASRS employer for qualified members. As of July 1, 2001, a qualified member could file for reimbursement under the following conditions:

- The **ASRS employer** covers the **retiree/employee on LTD** as a dependent of an active member's medical and/or dental insurance.
- The **ASRS employer** covers the **retiree** as an active employee for medical and/or dental insurance.

Proof

The retiree will need to provide proof of coverage and out-of-pocket costs. Backup documentation for the claim should include a letter from the employer and a copy of the employer's benefits insurance enrollment form.

Where to File for Reimbursement

Arizona State Retirement System
Attention: Health Insurance Dept.
P.O. Box 33910
Phoenix, AZ 85067-3910

The letter should:

- Be on employer letterhead.
- Be signed by a benefits representative or payroll personnel of the employer.
- Include the employer contact phone number.
- State the name and Social Security number of the employee or the retiree.
- State that the retiree is covered for medical and/or dental insurance as a dependent or, if applicable, as an active employee.
- State the effective date of coverage, along with the monthly and total amount that was deducted from payroll for family medical and dental coverage (specify each premium separately) for the period being claimed. The amount eligible is not only the dependent portion, but the total cost (for medical and dental insurance only) for employee and dependents (total premium – employer paid portion = employee cost). **The retiree must be covered as one of the dependents to be eligible to claim reimbursement for employee cost.**

NOTE: Employee cost for life insurance, vision, LTD or insurance other than medical and dental **is not eligible for reimbursement.**

Reimbursement for Prior Periods Only

- Can be filed for six-month periods (January through June and July through December)
- Through September 30, 2002, initial claims for reimbursement can be made back to July 1, 2001
- After September 30, 2002, claims for reimbursement must be filed within 90 days after the period ending; i.e., prior to March 31st for July through December and prior to September 30th for January through June
- Reimbursement will be the lesser of the premium benefit available or the out-of-pocket cost for qualified medical and/or dental coverage
- Claims for reimbursement will be processed within 30 days of the end of the month in which they are received

Questions

Please contact the ASRS Member Services Division at (602) 240-2000 in metro Phoenix, (520) 239-3100 in metro Tucson or toll-free outside metro Phoenix and Tucson at 1 (800) 621-3778.

Employer UPDATE

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quick NOTES

Legislative Wrap-up: Senate Bill (SB) 1095

The legislative session adjourned Sine Die on Thursday, May 23rd, 2002 bringing some changes to current laws, one of them being SB 1095. The Return to Work Program allows retirees at normal retirement to return to work after one year of terminating employment. If the retiree utilizes SB 1095, they will receive all retirement benefits, but will not make any retirement or LTD contributions and will not accrue any additional service. Originally the Return to Work provision ended on June 30, 2003, but that "sunset clause" was repealed on May 15, 2002. If you would like more on any legislative updates, please see our Web site.

Contribution Rate for 2003

Our current contribution rate in 2002 is 2.49% (including 0.49% LTD) and it will remain at 2.49% for fiscal year 2003.

Normal Cost Rate for 2003

The ASRS actuary determines what our normal cost is biennially. For the 2003 fiscal year, the actuary has determined our normal cost rate to be 10.72%. This means that if the ASRS was not over funded, the cost to pay for the Plan would be 10.72% rather than the current 4.00% that we currently enjoy. The normal cost rate is the number used to determine cost for purchasing credited service. The actuary uses generally accepted actuarial principles as prescribed by statute and the State constitution to determine the contribution rates necessary to support future payments for retirement and LTD benefits.

THE AUDIT PROCESS AT THE ASRS

As part of our annual audit plan we currently audit about 18 municipalities, state agencies and school districts in Arizona in a fiscal year. Our audit objectives are to ensure that the auditee is in compliance with:

- ✓ Rules governing eligible compensation and required contributions to the ASRS
- ✓ Rules governing accurate and timely enrollment of all eligible employees
- ✓ Rules governing service purchase payroll deduction agreements
- ✓ Rules governing health insurance payments for retired employees

The scope of our audit includes the review of personnel and payroll records and payroll reporting processes relating to the entity's contract with the ASRS. We are currently examining records for the fiscal year ended June 30, 2001. The tests included in a typical employer audit include:

- ✓ Review the contract between the ASRS and employer
- ✓ Review the employer's payroll register and related ASRS contribution report
- ✓ Review employee service purchase agreements
- ✓ Examine all part-time employees for determination of eligibility
- ✓ Review all non-contributing employees for application of the 20/20 rule
- ✓ Verify existence of all enrollment forms in the employer's personnel files

At the end of our audit we issue a report to the employer and to the ASRS Board. If there is an assessment to be made we provide the employer with an estimated amount and notify ASRS membership accounting. They would contact you with options available to you.

IRS Publication Available Online!

Denver, CO (June 19, 2002)—Maryann Motza, President of the National Conference of State Social Security Administrators (NCSSSA), has announced that IRS Publication 963, *Federal-State Reference Guide*, has been up-

dated and is now available on the Internal Revenue Service (IRS) web page <http://www.irs.gov/govts>.

Motza, state social security administrator for the State of Colorado, said Publication 963 provides states and their local governments a comprehensive reference source for FICA coverage, withholding and reporting rules. "This latest edition of Publication 963 reflects the numerous legislative and regulatory changes that have occurred since the publication was last revised in 1997," she said.

The 2002 revision is the result of a cooperative effort by representatives from the Social Security Administration, IRS and the NCSSSA. "We have worked together to provide a single source of information on all aspects of FICA that will be of value to everyone from school board employees to top federal officials," Motza said.

The nation's 90,000 public employers use Publication 963 to ensure proper FICA coverage, withholding and reporting rules. The publication covers such topics as Social Security and Medicare coverage, determining worker status, public retirement systems and links to federal/state officials.

According to Motza, Publication 963 will be available as a hard copy in about a month. Users may then obtain a printed copy by calling the IRS toll free number 1-800-829-3676.

WWW.ASRS.STATE.AZ.US

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is published periodically for employers of the Arizona State Retirement System by the External Affairs Division. Comments and questions may be directed to the Editor, or call (602) 240-2022 in metro Phoenix, (520) 239-3100 ext. 2022 in metro Tucson or toll-free outside metro Phoenix and Tucson at 1 (800) 621-3778. ext. 2022.